

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Voluntary - Public

Date: 8/21/2009

GAIN Report Number: PK.9009

Pakistan

Post: Islamabad

Pakistan Government Procures 9 MMT of Domestic Wheat

Report Categories:

Grain and Feed

Approved By:

Margaret E. Thursland

Prepared By:

Asmat Raza

Report Highlights:

The GOP has purchased an estimated 9.0 million tons of domestic wheat this year as compared to 3.9 million tons purchased last year. This is the largest ever wheat procurement operation conducted by the GOP. Cost of the 2009 procurement program is estimated at \$ 2.7 billion as compared to \$760 million spent last year. This massive influx of cash will have a positive and far-reaching socio-economic impact on Pakistan's rural communities.

General Information:

2009 Wheat Procurement Price was Raised by 52 Percent

Just prior to the 2009 wheat sowing season, the Government of Pakistan (GOP) announced a 52% increase in the wheat procurement price from \$195/MT to \$297/MT. In Pakistan, where government announcements usually lack credibility, farmers were skeptical about the GOP's desire to procure such a large quantity of wheat at a much higher price than expected. While the initial procurement target was set at 6 MMT, the GOP promised to buy wheat as long as farmers were willing to sell it during the April 1-June 30 procurement period

Arranging Money: A Daunting Task

The GOP has always been the largest buyer of the wheat in Pakistan, normally procuring a major portion of tradable supplies. Government purchases are intended to stabilize market prices on the higher side as the GOP enters with ready cash. This year, however, the GOP faced the daunting task of arranging three times more money than in the previous year due to the increase in both the price and quantity procured. Given the liquidity crunch with banks and circular debt of government agencies it was uncertain if the required funding could actually be arranged.

At the close of this year's wheat procurement season it was clear that not only did the GOP manage to secure the necessary cash but the procurement process was operated in a surprisingly transparent and efficient manner. The total cost of this year Government procurement of wheat is estimated at a staggering 2.7 billion.

Record Wheat Procurement by the Government

During the 2009 wheat procurement season, the GOP purchased 9,060 MMT of wheat, as compared to 3.9 MMT purchased last year. This is the largest wheat procurement operation ever conducted by the GOP.

The procurement breakdown in MMT is as follows:

Punjab	5,739
Sindh	1,184
NWFP	69
PASSCO:	2,068
Total	9,060

Influx of Money in the Rural Economy will Help Alleviate Poverty

At USD 297 per ton, the GOP has spent USD 2.69 billion (Rs. 215.3 billion) on wheat procurement as compared to Rs. 61 billion (USD\$ 760 million) spent last year. In Pakistan, 75 percent of the population lives under \$2 a day. As an increase in the poverty level is often linked to an increase in militant activity, this massive influx of cash to the rural economy will have far-reaching socioeconomic effects.

To reach FAS/Islamabad, email us at Agislamabad@usda.gov